

TOWN OF SELBYVILLE
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005

**TOWN OF SELBYVILLE
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FOR THE YEAR ENDED JUNE 30, 2005**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Selbyville
68 West Church Street
Selbyville, Delaware 19975

We have performed the procedures enumerated below, which were agreed to by Town of Selbyville and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2005 on Page 4. The Town of Selbyville's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 05-1 - During completion of the Town of Selbyville's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid had limited segregation of duties due to the lack of personnel. The Town Manager does review all checks, invoices, and bank reconciliations. He is not a check signer. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Town should segregate duties related to cash among different Town Council members so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town now requires all checks written from the Municipal Street Aid Account, and all other accounts of the Town, to be countersigned by a member of Town Council. All checks are submitted to a Town Council member along with the approved invoice."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2005. Detail any instances of noncompliance.

FINDING NO. 05-2 - During completion of the Town of Selbyville's program checklist for the municipal street aid (MSA) grant, it was noted that their financial documents and transactions were administered in accordance with the applicable laws and regulations, and that their financial reports were submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The total expenditures amount on the annual report was \$ 108,152.40 and should have been \$ 29,152.40. The accurate preparation of the annual report is an important requirement of the grant.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The totals on the report were typed wrong and the above totals are correct. In the future we will have all reports proofread by another member of staff."

FINDING NO. 05-3 - During completion of the Town of Selbyville's program checklist for the Police Pension grant, it was noted that the Town did not submit to the State Board of Pension Trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year, excluding those receiving benefits from the State of Delaware County and Municipal Police Pension Plan as required by the Delaware Code [18 Del. C. §709(b)]. The State Board of Pension Trustees has not requested this information from the Town or provided a format for the Town to submit this information to them. Failure to comply could result in the loss of grant funding.

RECOMMENDATION - The Town should provide mandated information regarding retired police officers receiving benefits to the State Board of Pension Trustees by April 1 of each year.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The State Board of Pension Trustees did not request the information noted in the finding on the current year police pension grant application. The Town was unaware of the requirement to submit this information to the State Board of Pension Trustees. The Town will provide information needed as it is requested by the State of Delaware."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts and violations of provisions of grant agreements and abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2005.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Selbyville's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
February 8, 2006

**TOWN OF SELBYVILLE
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

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<u>Grants</u>	<u>Amount Received</u>
Municipal Street Aid	\$ 62,089.17
Police Pension	24,130.55
State Aid to Local Law Enforcement	6,620.44
Emergency Illegal Drug Enforcement	5,600.54

See independent accountant's report on applying agreed-upon procedures.